



# Income Tax Examples

## With & Without Pension Contributions

The information and tax rates contained in this presentation are based on Irish Life's understanding of legislation and Revenue practice as at August 2018 and may change in the future. This has not been prepared based on the financial needs or objectives of any particular person, and does not take account of the specific needs or circumstances of any person. While great care has been taken to ensure the accuracy of the information contained in these slides, Irish Life cannot accept responsibility for its interpretation nor does it provide legal or tax advice.

# Income Tax

---

## Standard Rate Bands 2018

### Single / Widowed

No Children

€34,550

With dependent children

€38,550

Married, one income

€43,550

Married, two incomes

€43,550 + increase

Increase is the lower of €25,550 and the income of lower earning spouse

# Income Tax

---

Tax Credits 2018	
Single	€1,650
Married	€3,300
Single Person Child Carer	€1,650
PAYE	€1,650
Single Age Allowance (age 65 or over)	€245
Married Age Allowance (age 65 or over)	€490

Other tax credits may apply depending on individual circumstances

# Calculate Income Tax Liability

---

Step 1: Add up all income

Step 2: Deduct charges & reliefs to arrive at taxable income (e.g. pension contributions)

Step 3: Work out tax liability

Step 4: Deduct tax credits



# **Example: No Pension Contribution**

---

## Step 1: Add up all income

---

Salary	€40,000
Bonus	€9,000
Benefit-In-Kind (BIK)	<u>€2,500</u>
<b>Gross Income</b>	<b>€51,500</b>

## Step 2: Deduct Charges & Reliefs

---

Gross Income	€51,500
No Deductions	<u>€ 0</u>
<b>Net Income</b>	<b>€51,500</b>

## Step 3: Work Out Tax Liability

---

Taxable Income is €51,500		
Standard Rate Band (Married)		
€43,550 x 20%	=	€8,710
Balance at Higher Rate		
€7,950 x 40%	=	<u>€3,180</u>
<b>Sum of Standard &amp; Higher</b>		<b>€11,890</b>



## Step 4: Deduct Tax Credits

---

Sum of Standard & Higher	€11,890
Less Married Tax Credit	- €3,300
Less PAYE Tax Credit	<u>- €1,650</u>
<b>Tax Due</b>	<b>€6,940</b>
Gross Income	€51,500
Less Tax Due	<u>- €6,940</u>
<b>Net Income</b>	<b>€44,560</b>



# **Example: With Pension Contribution**

---

# Personal Tax Relief Limits

---

Age	% of Salary
Under 30	15%
30 – 39	20%
40 – 49	25%
50 – 54	30%
55 – 59	35%
60 and over	40%

- An earnings cap of €115,000 applies
- Income tax relief is not guaranteed and is a matter for the individual and their local tax office

## Step 1: Add up all income

---

Using the same client as the previous example, but with a €10,000 pension contribution

Salary	€40,000
Bonus	€9,000
Benefit-In-Kind (BIK)	<u>€2,500</u>
<b>Gross Income</b>	<b>€51,500</b>

## Step 2: Deduct Charges & Reliefs

---

Gross Income	€51,500
Pension Contribution	<u>- €10,000</u>
<b>Net Income</b>	<b>€41,500</b>

## Step 3: Work Out Tax Liability

---

Taxable Income is €41,500		
Standard Rate Band (Married)		
€41,500 x 20%	=	€8,300
Balance at Higher Rate		
€0 x 40%	=	<u>€ 0</u>
Sum of Standard & Higher		€8,300

## Step 4: Deduct Tax Credits

---

Sum of Standard & Higher	€8,300
Less Married Tax Credit	- €3,300
Less PAYE Tax Credit	<u>- €1,650</u>
<b>Tax Due</b>	<b>€3,350</b>
Gross Income	€51,500
Less Tax Due	<u>- €3,350</u>
<b>Net Income</b>	<b>€48,150</b>

PENSIONS  
INVESTMENTS  
LIFE INSURANCE



**Irish Life**

# Summary

---



# With & Without Pension Contribution

No Pension Contribution		€10,000 Pension Contribution	
Gross Income:	€51,500	Gross Income:	€51,500
Pension Contribution:	€0	Pension Contribution:	€10,000
Income Tax Paid:	€6,940	Income Tax Paid:	€3,350
Net Income:	€44,560	Net Income:	€48,150
		Less Pension Contribution:	€38,150

- Figures above do not include deductions for USC or PRSI
- Pension income in retirement is subject to income tax, USC & PRSI

# Marginal Rate Tax

---

Tax reduced from €6,940  
to €3,350

Saving of €3,590

- The €3,590 savings is the relief granted on the pension contribution of €10,000
- The pension contribution reduced the client's taxable income so part of the relief was granted at 40% and part at 20%
- Giving the client a marginal tax rate of 35.9%

# Marginal Rate Tax

---

Taxable income would have been	€51,500
Standard Rate Cut off Point (Married)	€43,550
Pension Contribution	€10,000
• €7,950 above cut off at 40%	€3,180
• €2,050 below cut off at 20%	<u>€ 410</u>
Total Saving of	€3,590

$(€3,590 / €10,000) \times 100 = 35.9\%$  marginal tax rate

# Important Information

---

While income tax relief may be available on your pension contribution, you will

- Not have access to your pension until you retire
- Your pension may be subject to investment risk and you could lose some or all of your money

PENSIONS  
INVESTMENTS  
LIFE INSURANCE



**Irish Life**

# THANK YOU

The information and tax rates contained in this presentation are based on Irish Life's understanding of legislation and Revenue practice as at August 2018 and may change in the future. This has not been prepared based on the financial needs or objectives of any particular person, and does not take account of the specific needs or circumstances of any person. While great care has been taken to ensure the accuracy of the information contained in these slides, Irish Life cannot accept responsibility for its interpretation nor does it provide legal or tax advice.